

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6045

BILL NUMBER: HB 1120

DATE PREPARED: Apr 5, 2001

BILL AMENDED: Apr 5, 2001

SUBJECT: Mine Subsidence Insurance.

FISCAL ANALYST: Jim Landers

PHONE NUMBER: 232-9869

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill extends a sunset provision to December 31, 2006 on the requirement that an insurer inform a prospective policyholder of the availability of mine subsidence insurance. Beginning January 1, 2002, the bill increases the maximum limit of mine subsidence coverage that an insurer agrees to cede to the commissioner of the Department of Insurance under a reinsurance agreement, from \$100,000 to \$200,000 per structure insured.

Effective Date: (Amended) January 1, 2002.

Explanation of State Expenditures: Provided appropriate premiums are established by the Department of Insurance for the increased coverage levels, the bill potentially would result in no net gain or loss to the Mine Subsidence Insurance Fund. According to the Department of Insurance, premiums would have to be increased for persons who purchase mine subsidence insurance at the increased coverage levels proposed in the bill. While the premiums for the increased coverage levels are undetermined, they would have to be set at a level that would cover the cost of claims at the new coverage levels; as well as to cover normal operating cost and unexpected contingencies resulting from the insurance program.

Total revenue to the Mine Subsidence Insurance Fund during FY 2000 was \$829,685, with \$783,855 coming from premiums and \$45,830 coming from investment interest. The insurance fund had an ending balance of \$4.031 million for FY 2000.

Background Information: Mine subsidence insurance coverage is made available by insurers to owners of structures located in counties that are at least partially within the Illinois Coal Basin or underlain by coal-bearing rock formations of the Pennsylvanian System. (This encompasses 26 counties in southwestern Indiana.) Insurers must enter into reinsurance agreements under which they cede 100% of the mine subsidence coverage they issue, up to the maximum coverage limit, to the Commissioner. Insurers collect the premiums for mine subsidence coverage and retain a ceding commission. The remainder is remitted to

the Commissioner and deposited in the Mine Subsidence Insurance Fund. Claims against insurance policies that include mine subsidence coverage are paid from the Insurance Fund. The Commissioner is required by law to establish premiums for mine subsidence coverage that: (1) satisfy all foreseeable claims on the Insurance Fund given loss or claims experience; (2) cover normal operating costs for the Insurance Fund; and (3) provide a reasonable reserve fund for unexpected contingencies.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance

Local Agencies Affected:

Information Sources: Liz Carroll, Chief Deputy Commissioner, Department of Insurance, 232-2387; Auditor's Object Trial Balance and Revenue Trial Balance for FY 2000.